

AR21

File



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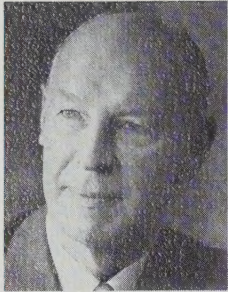
Southam Press Limited was incorporated under the Companies Act of Canada by Letters Patent dated December 7, 1927, and commenced business on January 1, 1928. Since May 1945 the shares of the company have been listed on the Montreal, Toronto and Vancouver stock exchanges. Stock Transfer Agent, The Royal Trust Company; Stock Registrar, The Bankers' Trust Company.

The year's results at a glance

Consolidated, with comparative figures for 1966

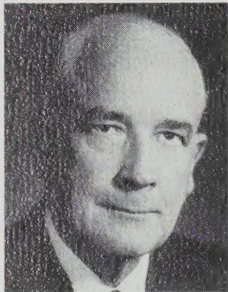
	1967	1966
Income		
Gross revenues	\$76,183,000	\$69,353,000
Gross expenses	62,565,000	56,242,000
Depreciation	2,217,000	2,175,000
Income taxes	4,945,000	4,818,000
Income before profit on sale of surplus fixed assets and investments	6,456,000	6,118,000
per share	2.15	2.04
Profit on sale of surplus fixed assets and investments	—	218,000
Net income	6,456,000	6,336,000
Dividends paid	3,600,000	3,600,000
Dividends paid per share	1.20	1.20
Balance sheet		
Working capital	4,280,000	2,991,000
Investments	11,384,000	9,912,000
Fixed assets (net)	18,778,000	18,727,000
Other assets	501,000	531,000
Long term debt	3,854,000	4,048,000
Deferred income taxes	1,635,000	1,515,000
Shareholders' equity	29,454,000	26,598,000
Statistics		
Advertising lineage—newspapers	137,107,275	135,391,106
Advertising pages—magazines	18,875	18,991
Daily newspaper circulation—December	550,403	531,194
Total number of employees	4,042	3,903
Total salaries, wages and employee benefits	\$29,923,000	\$26,252,000
Common share price range	\$ 51—32	\$ 42—31

Directors and Officers Southam Press Limited



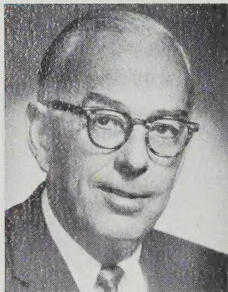
Philip S. Fisher, SM, CBE. Elected director 1928.

Born Montreal, 1896. BA (McGill). Joined the company in 1924 as assistant to the president; president 1945; chairman 1961. Past president, Canadian Daily Newspaper Publishers Association; past chairman, Executive Council, Canadian Chamber of Commerce; honorary president, The Canadian Welfare Council; member, the National Council of Welfare.



W. W. Southam, P.ENG. Elected director 1950.

Born Hamilton, 1908. BSC (McGill). Joined The Vancouver Province 1930; executive assistant, head office 1945; vice-president 1954. Director, American Newspaper Publishers Association Research Institute Inc.; chairman, membership tours committee, Toronto Board of Trade; vice-president, Toronto East General and Orthopaedic Hospital Research Foundation.



Fred S. Auger. Elected director 1954.

Born Calgary, 1907. Joined The Winnipeg Tribune as publisher in 1951. Previously director of advertising, Procter & Gamble. Appointed publisher of The Vancouver Province 1959. Director, Vancouver Aquarium, B.C. Waterfowl Society, Boys Clubs of Vancouver; international trustee of Ducks Unlimited.



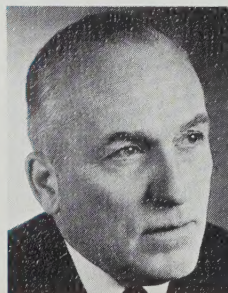
B. B. Osler, QC. Elected director 1956.

Born Ottawa, 1904. Graduate RMC of Canada. Partner, law firm, Blake, Cassels & Graydon since 1933. President of Ridley College. Director of a number of Canadian companies. Member, board of governors, St. John's Convalescent Hospital.



George L. Crawford, QC. Elected director 1959.

Born Edmonton, 1915. Called to Alberta Bar in 1939. Partner, law firm, Arnold & Crawford. Member, Central Alberta Advisory Board, Canada Trust Huron & Erie. Member of The National Council of YMCA. Director of a number of Canadian companies.



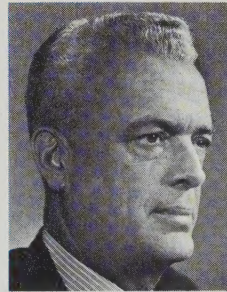
W. C. Riley, OBE, LL.D. Elected director 1960.

Born Winnipeg, 1907. Chairman, Canadian Indemnity Company; United Canadian Shares Limited. Trustee, Winnipeg General Hospital. Director of a number of Canadian companies.



St. Clair Balfour. Elected director 1953.

Born Hamilton, 1910. BA (Toronto). Joined The Hamilton Spectator 1931; publisher 1951; transferred to head office as vice-president and managing director 1954; president 1961. President, Canadian Press; director, Canadian Daily Newspaper Publishers Association. Director, Canadian Heart Foundation; governor, McMaster University.



R. W. Southam. Elected director 1954.

Born Ottawa, 1914. BA (Queen's), MSC (Columbia). Joined The Ottawa Citizen 1937; managing editor 1946; assistant publisher 1950; publisher 1953. Past-president, Canadian Daily Newspaper Publishers Association. Trustee, Queen's University; member of corporation, Bishop's University.



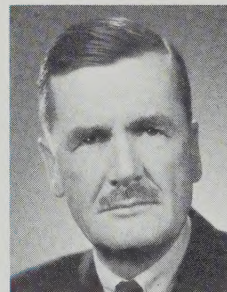
Gordon T. Southam. Elected director 1955.

Born Ottawa, 1910. Joined The Ottawa Citizen 1930; The Vancouver Province 1936. President, Pioneer Envelopes Ltd. 1955; director, MacMillan Bloedel Limited and B.C. Packers Limited. President, G. F. Strong Rehabilitation Centre. Governor, Trinity College School.



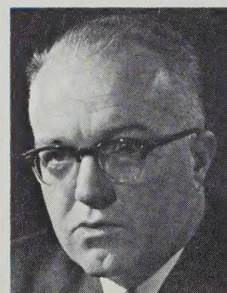
J. Grant Glassco, OBE, FCA. Elected director 1958.

Born Los Angeles, 1905. Chartered Accountant 1927. Partner, Clarkson, Gordon & Co. 1935-1957; joined Brazilian Light & Power Co., Limited, 1957, president 1963. Trustee, Hospital for Sick Children; chairman, Royal Commission on Government Organization 1960-1963. Director of a number of Canadian companies.



Thomas E. Nichols. Elected director 1960.

Born Winnipeg, 1907. BA (Mount Allison). Joined The Winnipeg Tribune 1928; The Vancouver Province 1930; The Hamilton Spectator 1934. Publisher, The Hamilton Spectator 1955. Director, Canadian Press; governor, Art Gallery of Hamilton.



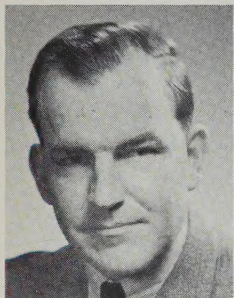
J. A. Daly. Elected director 1961.

Born Toronto, 1913. Joined Hugh C. MacLean Publications 1941; president and managing director 1955 and continued in this position when company acquired by Southam Press Limited. Past President, The Canadian Business Press, Business Paper Editors Association, The Periodical Press Association of Canada.



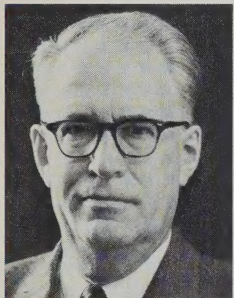
J. Jacques Pigott, P.ENG. Elected director 1962.

Born Detroit, Mich. 1916. BSC (Toronto). Joined Pigott Construction Company Limited in 1946 becoming executive vice-president of that company in 1956. Director of a number of Canadian companies.



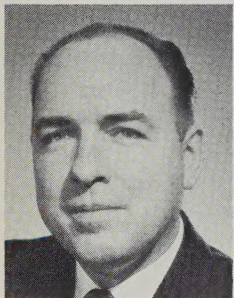
Gordon N. Fisher. Elected director 1967.

Born Montreal, 1928. B.ENG. (McGill). Joined head office of Southam Press Limited as executive assistant 1958; assistant to the president 1962; vice-president 1965. Member, Engineering Institute of Canada; governor, Trinity College School; director, Boys Village, Boys Clubs of Canada; member, board of governors, Canadian Welfare Council.



Ross Munro, OBE. Elected director 1968.

Born Ottawa, 1913. BA (Toronto). Staff writer Canadian Press 1936-1948, CP war correspondent overseas 1940-1945. Joined Southam Ottawa news bureau 1948; assistant to the publisher, The Vancouver Province 1951; editor 1955; assistant publisher and editor-in-chief 1957; publisher, The Winnipeg Tribune 1959. Publisher, The Canadian 1965. Vice-president and publisher, The Edmonton Journal 1968.



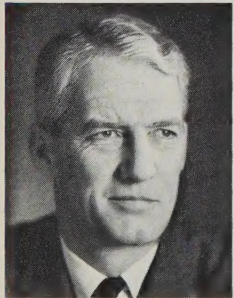
John F. Grainger

Born North Bay, 1915. With mechanical departments, The North Bay Nugget and The Sudbury Star 1929-1938. Returned to The North Bay Nugget 1939; publisher 1941; president, North Bay Publishing Company Limited 1948; vice-president and publisher on acquisition by Southam Press Limited. Former member North Bay City Council.



A. Ronald Williams

Born Tredegar, Wales, 1913. Joined Vancouver Province as assistant publisher in 1959; publisher The Winnipeg Tribune 1965. Previously a reporter with Toronto Globe; reporter and later assistant city editor, Toronto Star; editor, Financial Post; assistant to the president, A. V. Roe (Canada) Limited.



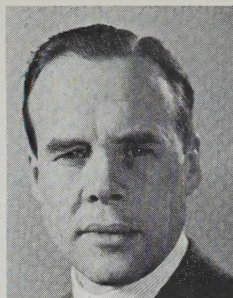
Peter O'Brian

Born Toronto, 1917. Graduate of RAF College, England, 1937. Served with RAF until 1959. W. H. Smith & Son (Canada) Ltd., 1960. Urwick, Currie Limited, 1963. Joined Southam Press Limited as assistant to the president 1965; vice-president, personnel 1967. Governor, Trinity College School.



E. M. Pritchard

Born Harrogate, England, 1910. Director of manufacturing Consolidated Press Ltd. 1950. General manager, Council of Printing Industries, 1958; vice-president and managing director, Southam Printing Company Limited, 1961. Vice-president Finance, Graphic Arts Industries Association; governor, Council of Printing Industries; member Executive Committee, Graphic Arts Technical Foundation.



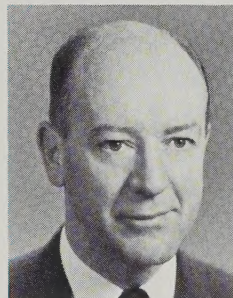
G. Hamilton Southam. Elected director 1964.

Born Ottawa, 1916. BA (Toronto). Joined The Times of London 1945; The Ottawa Citizen 1946. Joined Department of External Affairs 1948; Secretary of Legation, Stockholm, 1949-1953; Chargé d'Affaires and later Ambassador, Warsaw, 1959-1962; Coordinator, National Arts Centre, Ottawa 1963. Director-general 1966.



John D. Murray. Elected director 1967.

Born Toronto, 1912. B.COMM. (Toronto). Joined Murray Printing Co. Ltd., 1934; president 1958; director, Southam Printing Company Limited, 1964, president, 1966. President, Granite Club (Toronto); director, Canadian Diabetic Association.



B. H. Shelley, CA

Born Manchester, England, 1917. McDonald, Currie & Co. Toronto 1947, Brazilian Traction, Light & Power Company Limited, Sao Paulo, Brazil 1950. Joined the company in 1957 as assistant secretary-treasurer; appointed secretary-treasurer same year.



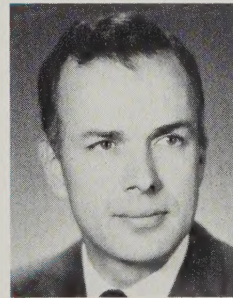
Frank G. Swanson

Born Edmonton, 1917. BA (Alberta), MSC (Columbia). Joined The Edmonton Journal 1938. Southam London bureau 1945; Ottawa Citizen 1948; associate editor 1956, editor 1960; assistant publisher, The Calgary Herald 1961; publisher 1962. Associate director, Calgary Exhibition and Stampede.



John S. Ward

Born Toronto, 1919. MacLaren Advertising Company Limited, 1946. Joined Toronto office of Southam Newspapers 1948; assistant advertising manager, The Edmonton Journal 1950; advertising director 1951; vice-president, marketing, head office, 1960.



Michael A. Harrison

Born Toronto, 1930. BA, SC (Toronto), London School of Economics, Athlone Fellow. CBC 1952; executive assistant to president, 1962; on loan to Glassco Commission 1961 and to Treasury Board 1965; marketing, Denison Mines Limited, 1966. Joined the company as vice-president, broadcasting, 1967. Vice-president, Patrons of Canadian Art.

Southam Press Limited

Head Office

321 Bloor Street East, Toronto

Newspaper divisions

The Ottawa Citizen
The North Bay Nugget
The Hamilton Spectator
The Winnipeg Tribune
The Medicine Hat News
The Edmonton Journal
The Calgary Herald
The Vancouver Province (*published for Pacific Press Limited*)
Financial Times of Canada, *Montreal*

News bureaux

Southam News Service
Ottawa, Quebec, Washington, London, Paris

Newspaper advertising offices

Toronto, Montreal and representation in Vancouver, London and throughout U.S.A.

Wholly owned subsidiaries

The Southam Printing Company Limited
Montreal, Toronto, Vancouver
Murray Printing & Gravure Limited
Weston, Ontario
Autographic Business Forms Limited, *Montreal*
Southam Business Publications Limited
Don Mills, Ontario
Journal of Commerce Limited, *Vancouver*
Grant Smedmor Limited, *Toronto*
Age Publishing Company Limited, *Toronto*

Associated companies (50 percent owned)

Pacific Press Limited, *Vancouver*
Southstar Publishers Limited, *Toronto*
C. O. Nickle Publications Company Limited,
Calgary
Trans Canada Expositions Limited,
Toronto
Greater Winnipeg Cablevision Limited, *Winnipeg*

Business publications

Architecture Bâtiment Construction
British Columbia Lumberman
Canadian Architect
Canadian Chemical Processing
Canadian Consulting Engineer
Canadian Farm Equipment Dealer
Canadian Forest Industries
Canadian Metalworking/Machine Production
Canadian Petroleum
Canadian Plastics
Canadian Transportation
Canadian Wood Products Industries
Construction West
Electrical Equipment News
Electrical News & Engineering
Electronics & Communications
Engineering & Contract Record
Equipelement Industriel
Executive
Furniture & Furnishings
Génie Construction
Good Farming
Heating/Plumbing/Air Conditioning
Hospital Administration in Canada
Industrial Products & Equipment
Journal of Commerce
L'Entrepreneur en Plomberie et Chauffage
Mining in Canada
Office Administration
Opérations Forestières
Packaging Progress
Product Design & Value Engineering
School Administration
Shoe & Leather Journal
Southam Building Guide
Southam Building Reports
Water & Pollution Control
Western Business & Industry

11 annual publications

12 trade shows—Southex and Grant Smedmor

4 trade shows—Trans Canada Expositions

Directors and Officers

Southam Press Limited

- †Philip S. Fisher, SM, CBE, chairman, Montreal, Quebec
- †St. Clair Balfour, president
- *F. S. Auger, vice-president and publisher, *The Vancouver Province (published for Pacific Press Limited)*
- Michael Barkway, publisher and editor, *Financial Times of Canada*
- *Gordon N. Fisher, vice-president
- J. F. Grainger, vice-president and publisher, *The North Bay Nugget*
- Michael A. Harrison, vice-president, broadcasting
- *Ross Munro, OBE, vice-president and publisher, *The Edmonton Journal*
- I. C. MacDonald, publisher and editor, *The Medicine Hat News*
- †T. E. Nichols, vice-president and publisher, *The Hamilton Spectator*
- Peter O'Brian, vice-president, personnel
- B. H. Shelley, CA, secretary-treasurer
- †R. W. Southam, vice-president and publisher, *The Ottawa Citizen*
- †W. W. Southam, vice-president
- F. G. Swanson, vice-president and publisher, *The Calgary Herald*
- John S. Ward, vice-president, marketing
- A. R. Williams, vice-president and publisher, *The Winnipeg Tribune*
- †George L. Crawford, QC, Calgary, Alberta
- *James A. Daly, Don Mills, Ontario
- †J. Grant Glassco, OBE, FCA, Toronto, Ontario
- *John D. Murray, Weston, Ontario
- †Britton B. Osler, QC, Toronto, Ontario
- *J. Jacques Pigott, Toronto, Ontario
- *W. Culver Riley, OBE, Winnipeg, Manitoba
- *G. H. Southam, Ottawa, Ontario
- *Gordon T. Southam, Vancouver, British Columbia

- *Director
- †Director and member of the Executive Committee

The Southam Printing Company Limited

- *St. Clair Balfour, chairman of the board
- *John D. Murray, president
- *E. M. Pritchard, vice-president and managing director
- *Guy S. Fisher, vice-president and general manager, Southam Autographic division
- Frank Robins, general manager, Vancouver division
- D. G. Scott, FCA, secretary and treasurer
- *A. Y. Eaton, Toronto, Ontario
- *Gordon N. Fisher, Toronto, Ontario
- *Britton B. Osler, QC, Toronto, Ontario
- *W. W. Southam, Toronto, Ontario

Southam Business Publications Limited

- *St. Clair Balfour, chairman of the board
- *James A. Daly, president
- Claude Beauchamp, vice-president
- G. W. Funston, vice-president
- M. J. Kostuch, vice-president
- E. V. Manser, vice-president
- J. E. Uberig, CA, RIA, vice-president, administration, secretary and treasurer
- *Gordon N. Fisher, Toronto, Ontario
- *Britton B. Osler, QC, Toronto, Ontario
- *J. Jacques Pigott, Toronto, Ontario
- *W. W. Southam, Toronto, Ontario

Directors' report to the shareholders

Your directors have pleasure in submitting the forty-first annual report of the company for the year ended December 31, 1967.

The company's business in Canada's centennial year seemed to reflect the nation's year-long birthday party. Great enthusiasm and activity reached a climax at the end of June. Revenues for the first half were up 14.5 percent. In July the economic pace slowed after Canada's actual birthday was past. In the third quarter revenues were up 8.6 percent and for the last three months only 0.6 percent. There was no similar slowdown in the increase in the cost of labour or materials.

In spite of these trends net income for the year, at \$2.15 per share, was ahead of the \$2.11 earned in 1966. In that year a profit on the sale of surplus fixed assets and investments represented approximately 7 cents per share. No such gain was realized in 1967.

Costs and operating expenses increased at a more rapid rate than revenues but again included a number of items of a special nature: the cost of projects which have not yet contributed to earnings and special expenditures incurred in connection with the company's centennial projects.

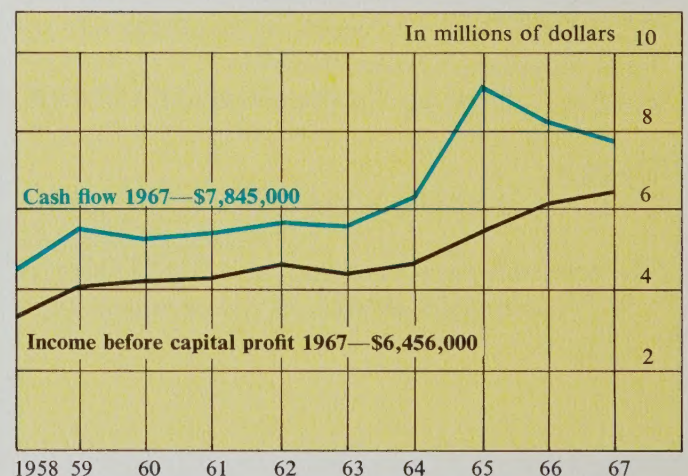
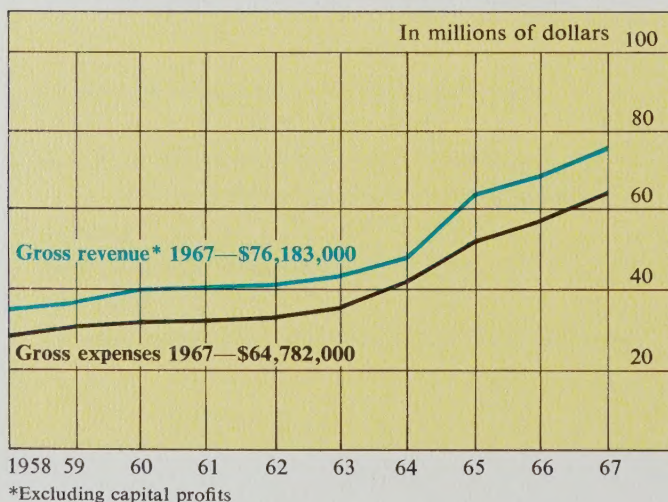
There was a significant increase in income from investments to a total of \$2,340,000. As announced earlier this year the company adopted the "equity" system of reporting income from companies in which

it has a 50 percent ownership. Under it our share of the income of these companies is taken into income even though it may not have been received in dividends. The total from this source was \$948,000 in 1967 against \$567,000 in 1966. Dividends from holdings in the broadcasting field totalled \$263,000 compared with \$207,000 the previous year.

Dividends of \$1.20 per share, the same amount as that paid in 1966, represented 56 percent of net income.

During the year \$2,268,000 was spent on additions and improvements to production facilities compared with \$3,900,000 in 1966. Major additions consisted of plant and equipment for our printing subsidiary and additional press capacity for The Edmonton Journal. It is anticipated that 1968 capital expenditures will be about \$2,250,000.

The company continued to seek opportunities to invest in Canadian companies engaged in the communications field. In January we acquired a substantial minority interest in The Brandon Sun at a cost of \$586,000. Our investment in Selkirk Holdings Limited was increased by 77,000 class A shares to 257,000—partly by purchase in the open market and partly by the exchange for Selkirk shares of our 20 percent interest in Calgary Television Limited. In November we acquired a 50 percent interest in Greater Winnipeg Cablevision Limited, a company which has been grant-



ed a franchise to provide cable television to a large section of Winnipeg.

The funds necessary to finance the company's capital expenditures and investments were provided mainly by retained earnings and depreciation.

Working capital at the year end stood at \$4,280,000, an increase for the year of \$1,289,000.

Newspapers

The company's newspapers continued to grow with circulation gains accelerating in the final months. Combined daily circulation rose 3.6 percent to 550,000 and that of The Financial Times by 5.1 percent to 36,000. These gains together with higher subscription rates for some papers produced a 10 percent improvement in circulation revenues.

Newspaper advertising lineage increased by 2 per cent, a slower rate of growth than in recent years, but greater than that for the industry as a whole. Advertising revenue, reflecting certain rate increases, was up 6 percent.

The company's policy has been to give its operating divisions a large measure of autonomy. Editorial policies are established by the individual publishers, each of whom is responsive to local problems in the community he serves. Each is supported by a team of capable newspapermen, reinforced by a consulting staff at head office. The company's objective is con-

tinually to improve the quality of its publications.

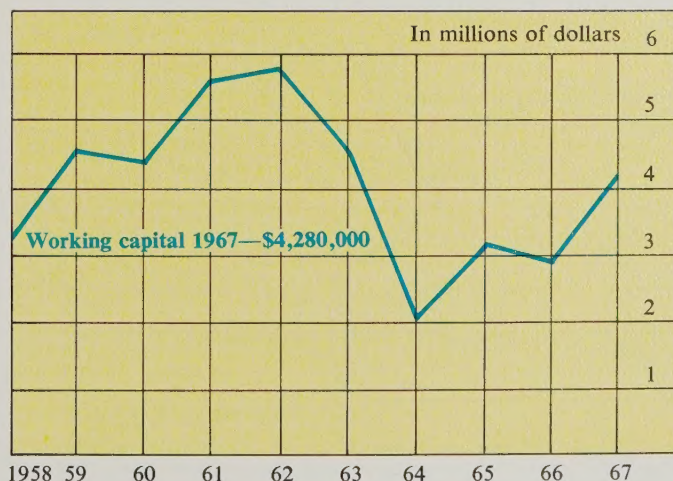
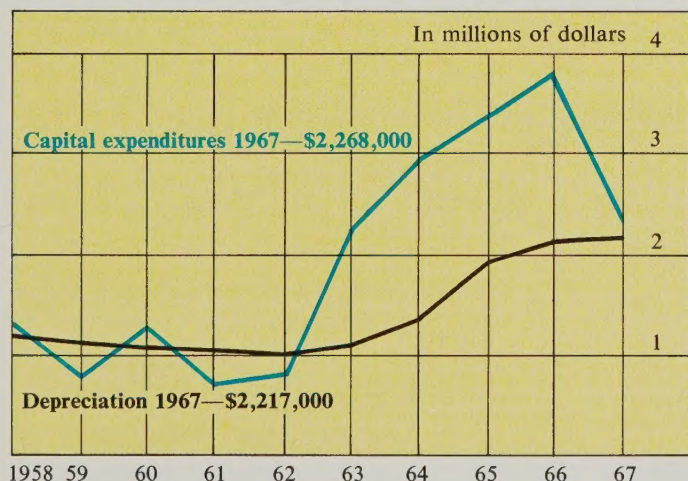
The Southam News Service which maintains Canadian offices in Ottawa and Quebec City and foreign bureaux in London and Washington plans to open a European office in Paris within the next few months.

The Canadian Magazine, which was established just over two years ago in equal partnership with Toronto Star Limited, is making solid progress. With the addition in January 1968 of The London Free Press to the list of member newspapers it now has a circulation of 2,140,000, the largest of any publication in Canada.

The Southam Printing Company Limited

Despite a substantial increase in sales the profits of this subsidiary failed to reach its objectives. Keenly competitive pricing and high labour costs remain a problem. However, substantial expenditures have been made on equipment which will improve both the quality and the efficiency of production.

The Southam • Murray division at Weston, Ontario, which last year moved into enlarged premises has begun to benefit from these improved facilities. Southam Autographic at Candiac, Quebec, has encountered problems, but steps are now being taken to overcome them. The Nicholson division in Vancouver is making steady progress.



Southam Business Publications Limited

Our business publications experienced the same tightening of the advertising market in the second half which has already been mentioned. A slowdown in domestic construction and capital investment in 1968 may inhibit normal revenue growth, at least for the first half of this year.

This subsidiary also had heavy costs in the early part of the year arising from the decision, reported last year, to undertake a major expansion in the trade show field. After comprehensive market research studies some of the shows planned for the year were dropped and some were postponed for further study. However, during the year we participated in sixteen shows directly or with various partners. Profits from this source are expected to improve in 1968.

Community and Employee Relations

Following established practice the company supported many social and charitable activities in the communities in which it operates. Support was given through newspaper publicity and printing, in addition to cash contributions of \$288,000. Of this amount \$34,000 went to the University of Toronto for the Southam Fellowships in Journalism. The fellowships are designed to give men and women from all branches of Canadian journalism a chance to broaden their background knowledge in areas important to their respec-

tive careers. The principal objective is to encourage a general improvement in journalistic talent through the industry.

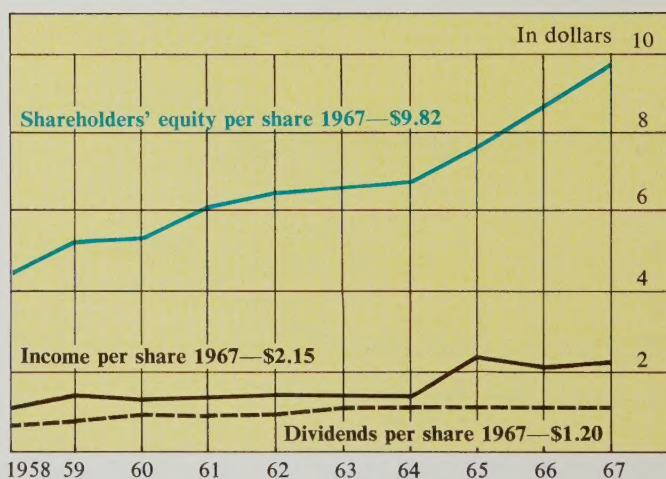
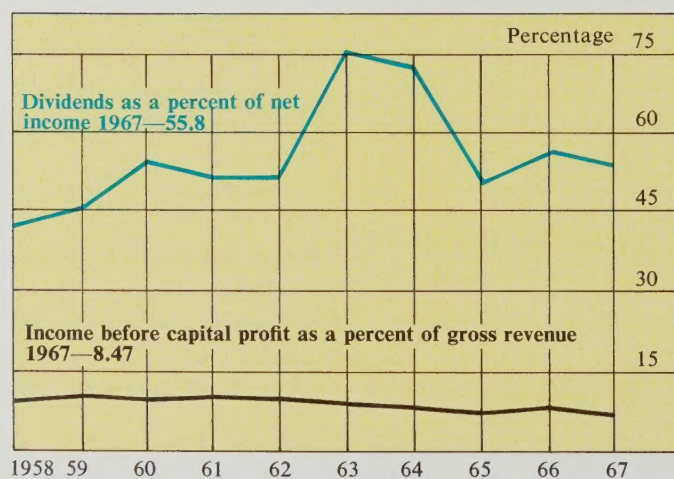
The contribution made to the company's success by its loyal and efficient personnel can hardly be overrated and it is fitting that this should be drawn to the shareholders' attention. Relations with all employees have continued on a satisfactory basis, although negotiations for new labour contracts have resulted in some wage settlements which have outrun productivity gains.

Southam Press and its subsidiaries now have 4,042 employees, an increase of 139 for the year. In 1967 the company's contribution to employee benefits was \$1,667,000 as compared with \$1,293,000 in 1966.

Senior Personnel

We report with deep sorrow the untimely death in December last of Mr. Basil Dean, a vice-president of the company, a director and a member of the executive committee. He had been publisher of The Edmonton Journal since 1962 and previously publisher of The Calgary Herald. He brought editorial distinction and high business competence to their direction and he served these communities zealously and well.

Mr. Ross Munro, OBE, has been appointed vice-president and publisher of The Edmonton Journal and has been elected a director. For the last two and a half



years Mr. Munro has been vice-president of Southstar Publishers Limited and publisher of The Canadian Magazine. He was previously publisher of The Winnipeg Tribune.

In December Mr. Michael A. Harrison joined the company to assume the new position of vice-president, broadcasting, with responsibility for the development of the company's interests in this expanding area of communications.

General Outlook

Canada in 1968 faces many problems—political, financial and social, and the prospects for business generally are somewhat uncertain. Our business is, by its nature, closely tied to the general level of economic activity. The year has opened with some softness and earnings are expected to show only modest improvement.

Submitted on behalf of the board.

Philip D. Fisher

Chairman

William Baylour

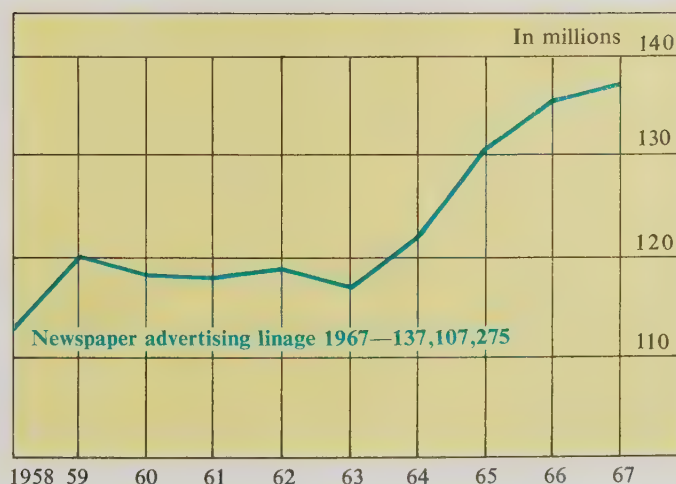
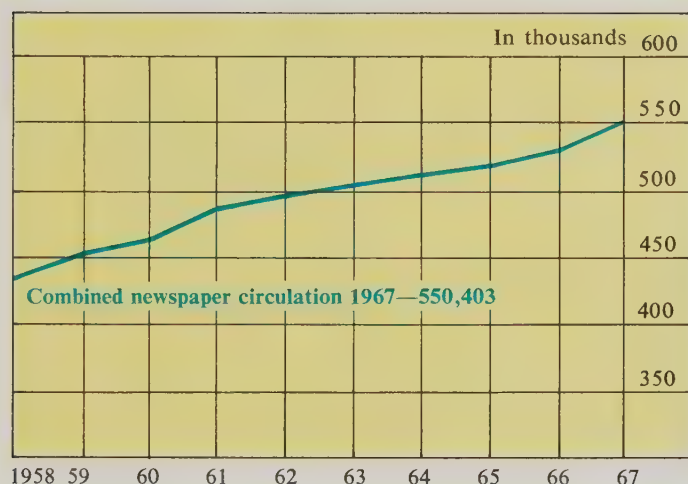
President

Retirement Fund Statement

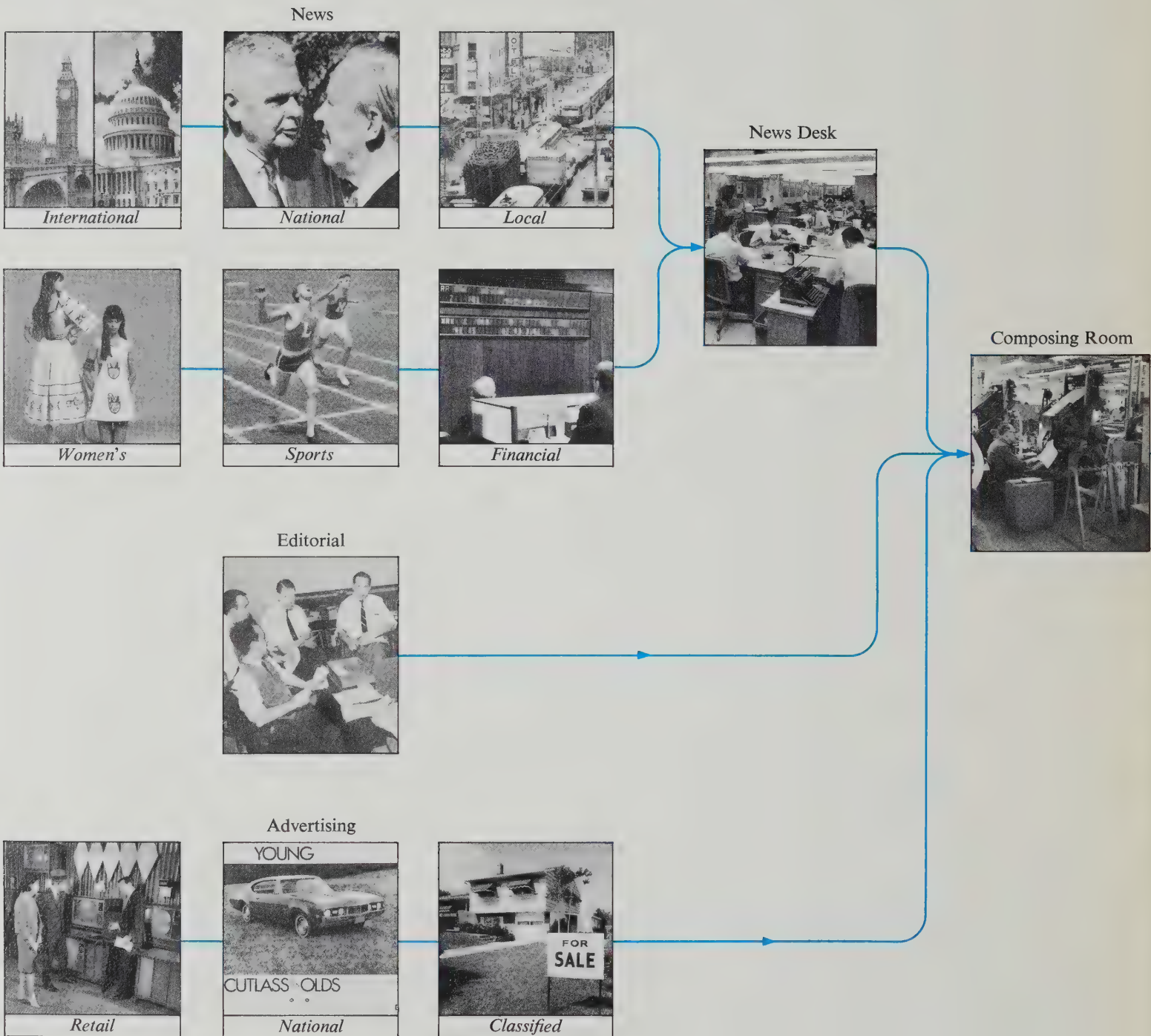
(not included in company accounts)

Balance January 1, 1967	\$15,424,000
Contributions during the year:	
Employees (including extra contributions of \$79,698)	\$623,000
Company	<u>569,000</u> 1,192,000
Net income of fund	<u>827,000</u>
	17,443,000
Payments for pensions and refunds on death or termination	<u>676,000</u>
Balance December 31, 1967	<u>\$16,767,000</u>

Funds are administered by The Royal Trust Company, The Canada Trust Company or invested in government annuities.



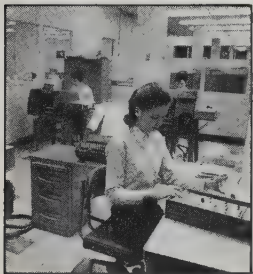
A completely new product is born every day at each of our newspaper plants. To accomplish this in twenty-four hours requires the co-ordination of a capable and dedicated staff to collate the news, the advertising and the editorials. The content is set in type in the composing room, molded into semi-cylindrical press plates



Newspaper

in the stereo department and printed in final form in the press room. From the press the papers are bundled and distributed by a variety of methods to dealers, news-stands and carrier boys who speed them into the homes of our 550,000 subscribers. In the meantime, the cycle has begun again for another paper tomorrow.

Business Office



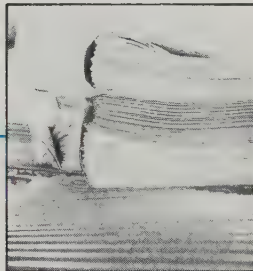
Stereotype



Press



Circulation



Newsprint Supply

Bus



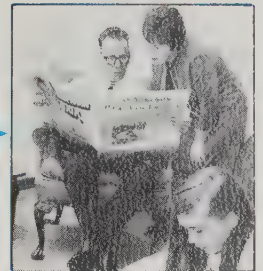
Plane



Train



Home



News-stand



Carrier





The main Calgary Herald building was built in 1913 (left). During 1967 the exterior of the building was refaced (below) to match the new mechanical building which was erected in 1964.



Southam Press Limited is a Canadian-owned and operated company whose origins reach back almost to Confederation. The company began in 1877 when William Southam bought a half interest in The Hamilton Spectator. Between that date and 1927, when the family newspaper interests were reorganized as The Southam Publishing Company Limited, he and his six sons established or purchased seven other businesses. These were printing companies in Toronto (1881) and Montreal (1889) and newspapers, The Ottawa Citizen (1897), The Calgary Herald (1908), The Edmonton Journal (1912), The Winnipeg Tribune (1920), and The Vancouver Province (1923). A one-quarter interest in The London Free Press had also been bought.

William Southam in his earlier years had a substantial interest in other forms of business in Hamilton but over the years the family hammered out a policy of concentration on newspaper publishing and printing. In later years this policy was expanded to include a broader range of communications, including magazines, radio and television.

Originally the Southam family was not the sole owner of these enterprises; but commencing in 1927 the present company acquired all the minority equity interests, issuing shares in payment therefor.

In 1938 the company name was changed to The Southam Company Limited and in 1941 all the subsidiaries became divisions by transferring their assets to the parent company. Additional shares were issued in 1945 and made available to the public. In 1964 the company name was again changed, to Southam Press Limited.

After the war the company entered a new phase of expansion. This resulted in the acquisition of The Medicine Hat News (1948), The North Bay Nugget (1956), a 47 percent interest in the Kitchener-Waterloo Record (1953), a 49 percent interest in The Brandon Sun (1967). Over the years substantial minority interests in radio and television operations were also acquired. Pacific Press Limited, in which the company holds a 50 percent interest, was incorporated in 1957 and acquired The Vancouver Province and The Vancouver Sun.

In 1960 the company entered the field of business publications by purchasing a controlling interest in The Hugh C. MacLean Publications Limited. Now

wholly-owned it is called Southam Business Publications Limited. New magazines have been launched and others purchased. It publishes 49 business and professional publications and produces sixteen trade shows.

The company expanded into a new field in 1961 through the purchase of Financial Times of Canada, a national weekly newspaper covering the fields of business, finance and economics.

In 1964, the company purchased Murray Printing & Gravure Limited which owned the largest gravure printing plant in Canada. The plants and staffs of Murray Printing and The Southam Printing Company were merged in expanded facilities at Weston, Ontario during 1966.

In 1965 a new company, Southstar Publishers Limited, was formed in equal partnership with Toronto Star Limited to publish a weekly rotogravure magazine, The Canadian. It is distributed with all Southam newspapers, the Toronto Star, the Star Weekly, the Montreal Gazette, the Regina Leader-Post, the Saskatoon Star-Phoenix and the London Free Press.

In an industry as important to the growth and maturity of Canadian public opinion as newspaper and magazine publishing, the company has pursued a number of basic policies, all of which are intended to assure objectivity of the printed word. These are:

1. The company will have no financial interest in enterprises outside the communications field.
2. Officers of the company or its subsidiaries and senior publishing executives may not act as directors of other unrelated firms operated for profit unless the company has an interest in such firms to be served thereby.
3. The company's newspapers and magazines are operated under individual management and develop independent editorial policies. There is no "Southam" editorial policy.
4. Officers, editorial personnel and all other key employees of the company are expected to remain free from political and other outside activities when such activities might influence or appear to influence the editorial freedom or independence of any of the company's publications.

Thorne,
Gunn,
Helliwell
& Christenson

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Southam Press Limited

We have examined the consolidated balance sheet of Southam Press Limited and subsidiary companies as at December 31, 1967 and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving effect in that year to the change, which we approve, in accounting for companies 50% owned as explained in note 1 to the consolidated financial statements.

Toronto, Canada
February 15, 1968

Thorne, Gunn, Helliwell & Christenson
Chartered Accountants

OFFICES THROUGHOUT CANADA AND ASSOCIATES THROUGHOUT THE WORLD

Consolidated statement of income

	Year ended December 31		
	1967	% change	1966
Revenue from operations			
Newspapers	\$43,385,000		\$40,475,000
Printing	22,200,000		19,652,000
Trade publications and shows.	8,258,000		7,433,000
	<u>73,843,000</u>	+ 9.3	<u>67,560,000</u>
Costs and operating expenses			
Salaries, wages and employee benefits	29,923,000		26,252,000
Newsprint, paper and ink	15,524,000		13,938,000
Other supplies and services.	16,771,000		15,792,000
Depreciation (note 2)	2,217,000		2,175,000
Interest on long-term debt	268,000		211,000
Other interest.	79,000		49,000
	<u>64,782,000</u>	+ 10.9	<u>58,417,000</u>
	<u>9,061,000</u>		<u>9,143,000</u>
Equity in net earnings of companies			
50% owned (note 1).	1,510,000		1,137,000
Income from other investments	830,000		656,000
	<u>11,401,000</u>	+ 4.3	<u>10,936,000</u>
Income taxes (note 3)	4,945,000	+ 2.6	4,818,000
Income before profit on sale of surplus			
fixed assets and investments	6,456,000	+ 5.5	6,118,000
Profit on sale of surplus fixed assets and investments. .	—		218,000
Net income.	<u>\$ 6,456,000</u>		<u>\$ 6,336,000</u>
Per share:			
Income before profit on sale of surplus fixed assets			
and investments	<u>\$2.15</u>		<u>\$2.04</u>
Net income.	<u>\$2.15</u>		<u>\$2.11</u>

Consolidated statement of retained earnings

	Year ended December 31	
	1967	1966
Balance at beginning of year (note 1)	\$23,598,000	\$21,427,000
Add net income for the year	6,456,000	6,336,000
	<u>30,054,000</u>	<u>27,763,000</u>
Deduct		
Dividends—\$1.20 per share in each year	3,600,000	3,600,000
Excess of cost of subsidiary companies and publications acquired		
over value attributable to their net tangible assets	—	565,000
	<u>3,600,000</u>	<u>4,165,000</u>
Balance at end of year.	<u>\$26,454,000</u>	<u>\$23,598,000</u>

Consolidated Balance Sheet

	December 31	
	1967	1966
Assets		
CURRENT ASSETS		
Cash.	\$ 846,000	\$ 488,000
Short term securities	—	97,000
Accounts receivable (after allowance for doubtful accounts)	7,473,000	6,753,000
Inventories (note 4)	3,076,000	4,265,000
Prepaid expenses.	367,000	425,000
	<u>11,762,000</u>	<u>12,028,000</u>
INVESTMENTS (note 5)		
Companies 50% owned (note 1)	7,192,000	6,870,000
Other investments at cost		
Newspaper and publishing companies	1,268,000	657,000
Radio and television companies	2,007,000	1,417,000
Mortgages receivable.	728,000	824,000
Sundry investments	189,000	144,000
	<u>11,384,000</u>	<u>9,912,000</u>
FIXED ASSETS		
Land at not more than cost	1,990,000	1,981,000
Buildings at cost.	\$16,457,000	
Less accumulated depreciation.	<u>6,255,000</u>	<u>10,202,000</u>
Machinery and equipment at cost	26,400,000	
Less accumulated depreciation.	<u>19,814,000</u>	<u>6,586,000</u>
	<u>18,778,000</u>	<u>18,727,000</u>
OTHER ASSETS		
Special refundable tax	308,000	265,000
Advances under employees' stock purchase plan	193,000	266,000
	<u>501,000</u>	<u>531,000</u>
	<u>\$42,425,000</u>	<u>\$41,198,000</u>

Approved by the Board of Directors
Philip S. Fisher, Director
St. Clair Balfour, Director

Notes to consolidated financial statements

1. The consolidated financial statements include the accounts of all subsidiary companies. Revenue and expenses of companies which become subsidiaries during a year are included from the dates of acquisition of control. The more substantial operating subsidiary companies are—
The Southam Printing Company Limited
Southam Business Publications Limited

In 1967 the company commenced the practice of including in income its equity in net earnings of companies 50% owned and reflecting the investment in such companies at the value of their underlying net tangible assets. Previously the investment was carried at cost and dividends received were in-

cluded in income. The effect of this change is an increase in earnings for 1967 of \$948,000 (\$.32 per share). The 1966 comparative figures have been restated to reflect this change in practice, thereby increasing previously reported 1966 earnings by \$567,000 (\$.19 per share) and increasing consolidated retained earnings at the beginning of 1966 by \$1,262,000.

2. Depreciation has been calculated on the declining balance method at rates normally permitted for income tax purposes.

3. As the companies intend to claim special capital cost allowances for 1967 under incentive provisions of the income tax regulations, income taxes provided for 1967 ex-

	December 31	
	1967	1966
Liabilities		
CURRENT LIABILITIES		
Bank advances	—	\$ 1,007,000
Accounts payable and accrued liabilities	\$ 4,117,000	5,072,000
Income and other taxes.	2,341,000	2,006,000
Deferred revenue—subscriptions and rentals.	837,000	765,000
Payments on long term debt due within one year.	187,000	187,000
	<u>7,482,000</u>	<u>9,037,000</u>
LONG TERM DEBT (non-current portion)		
Note payable to bank	1,000,000	1,000,000
Perpetual redeemable 5% debentures.	2,441,000	2,448,000
Long term debt of subsidiary companies (note 6).	413,000	600,000
	<u>3,854,000</u>	<u>4,048,000</u>
DEFERRED INCOME TAXES (note 3).	1,635,000	1,515,000
Shareholders' equity		
CAPITAL STOCK		
Common shares without nominal or par value		
Authorized—4,000,000 shares		
Issued —3,000,000 shares	3,000,000	3,000,000
RETAINED EARNINGS	26,454,000	23,598,000
	<u>29,454,000</u>	<u>26,598,000</u>
	<u>\$42,425,000</u>	<u>\$41,198,000</u>

ceed the amounts actually payable by \$120,000 (1966, \$438,000). This amount is included in "Deferred income taxes".

4. Inventories consist of the following:	1967	1966
Newsprint and other newspaper supplies at the lower of cost or replacement cost	\$ 645,000	\$ 661,000
Printing company inventories (consisting principally of work in process) at the lower of cost or net realizable value	2,431,000	3,604,000
	<u>\$3,076,000</u>	<u>\$4,265,000</u>

5. Significant interests in common shares of other companies at December 31, 1967, are as follows:

Companies	% Interest in common shares
Newspaper and publishing companies	
Pacific Press Limited	50
Southstar Publishers Limited.	50
C. O. Nickle Publications Co. Ltd.	50
Sun Publishing Company Limited (Brandon)	49
Kitchener-Waterloo Record Limited.	48
The London Free Press Holdings Limited	25
Radio and television companies	
Greater Winnipeg Cablevision Limited.	50

	Year ended December 31	
	1967	1966
Source of funds		
From operations		
Net income for the year	\$ 6,456,000	\$ 6,336,000
Add (deduct) non-cash items		
Depreciation charged against income.	2,217,000	2,175,000
Deferred income taxes	120,000	438,000
Increase in equity of companies 50% owned.	(948,000)	(567,000)
	<u>7,845,000</u>	<u>8,382,000</u>
Repayment of advances under employees' stock purchase plan, net.	73,000	—
Investments realized	1,164,000	—
Long term borrowing	2,000,000	1,347,000
Working capital of subsidiaries acquired	—	146,000
	<u>11,082,000</u>	<u>9,875,000</u>
Use of funds		
Dividends paid	3,600,000	3,600,000
Additions to fixed assets, net	2,268,000	3,889,000
Long term debt repaid or currently payable	2,194,000	1,253,000
Investments acquired.	1,688,000	154,000
Acquisition of subsidiaries and publications, net	—	716,000
Special refundable tax paid	43,000	265,000
Advances under employees' stock purchase plan, net	—	146,000
	<u>9,793,000</u>	<u>10,023,000</u>
Increase (decrease) in working capital	1,289,000	(148,000)
Working capital at beginning of year.	2,991,000	3,139,000
Working capital at end of year	<u>\$ 4,280,000</u>	<u>\$ 2,991,000</u>

Edmonton Broadcasting Company Limited	40
Calgary Broadcasting Company Limited	40
CKOY Limited (Ottawa)	38
Selkirk Holdings Limited, A (non-voting)	29
Selkirk Holdings Limited, B (voting)	30
Niagara Television Limited (Hamilton)	25
Wentworth Radio Broadcasting Company Limited (Hamilton).	19
Other companies	
Trans Canada Expositions Limited.	50
Quality Records Limited	11

6. Long term debt of subsidiary companies consists of the following:

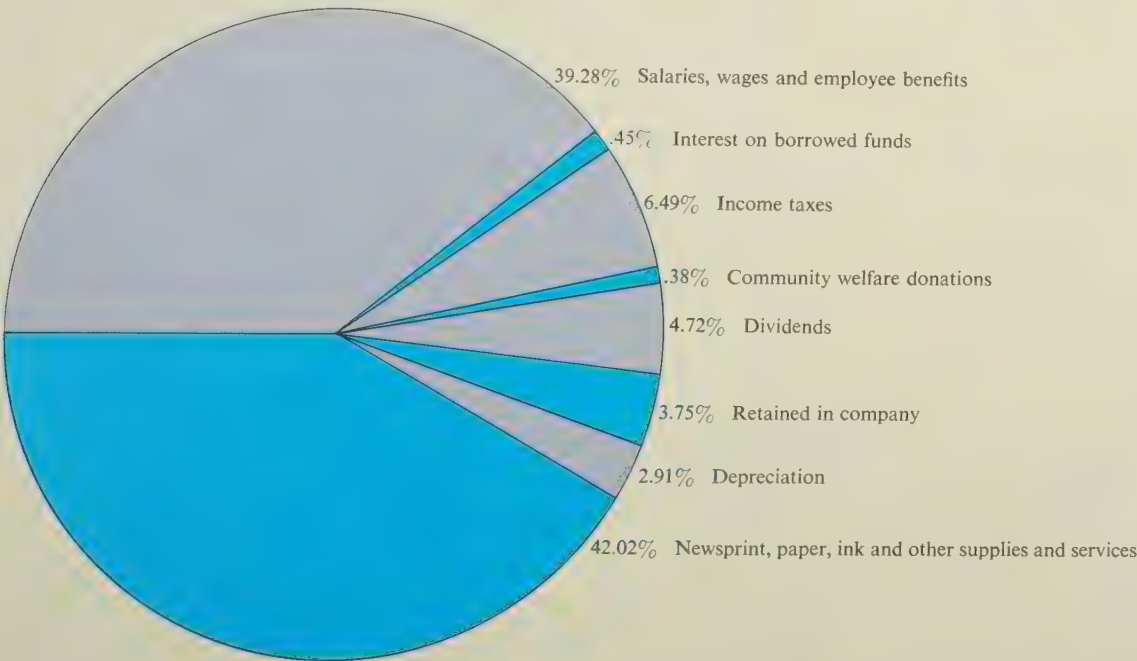
	1967	1966
First mortgage 5¼% sinking fund bonds due 1969	\$100,000	\$200,000
Unsecured 6% loan due 1971	208,000	278,000
Secured 6¾% loan due 1974.	105,000	122,000
	<u>\$413,000</u>	<u>\$600,000</u>

7. For 1967 remuneration paid to the company's directors, including amounts paid to directors as officers or employees amounted to \$415,000.

8. Commitments for acquisition of fixed assets payable during 1968 amount to \$276,000.

Disposition of revenue

	1967		1966	
Gross revenue (excluding profit on sale of surplus fixed assets and investments)	\$76,183,000	100.00%	\$69,353,000	100.00%
Salaries and wages paid	28,256,000	37.09	24,959,000	35.99%
Employee benefits	1,667,000	2.19	1,293,000	1.86
Newsprint, paper and ink	15,524,000	20.38	13,938,000	20.10
Other supplies and services	16,483,000	21.64	15,509,000	22.36
Community welfare donations	288,000	.38	283,000	.41
Depreciation	2,217,000	2.91	2,175,000	3.14
Interest on borrowed funds	347,000	.45	260,000	.37
Income taxes	4,945,000	6.49	4,818,000	6.95
Dividends	3,600,000	4.72	3,600,000	5.19
Retained in company (excluding profit on sale of surplus fixed assets and investments)	2,856,000	3.75	2,518,000	3.63
	<u>\$76,183,000</u>	<u>100.00%</u>	<u>\$69,353,000</u>	<u>100.00%</u>



Ten-year comparative summary

	1958	1959	1960
Earnings			
Revenue from operations	\$35,185,000	37,800,000	39,704,000
Income from investments	\$ 546,000	951,000	851,000
Costs and operating expenses	\$27,835,000	29,591,000	31,298,000
Interest on borrowed funds	\$ 407,000	375,000	334,000
Depreciation	\$ 1,209,000	1,157,000	1,098,000
Income taxes	\$ 2,852,000	3,591,000	3,737,000
Income before capital profit	\$ 3,428,000	4,037,000	4,088,000
Income before capital profit as a percent of revenue	% 9.59	10.42	10.08
Capital profit	\$ —	532,000	232,000
Net income	\$ 3,428,000	4,569,000	4,320,000
Net income per share*	\$ 1.14	1.52	1.44
Dividends paid	\$ 1,500,000	2,137,000	2,400,000
Dividends per share*	\$.50	.71	.80
Percent income distributed	% 43.8	46.8	55.5

Balance sheets			
Current assets	\$ 7,371,000	9,227,000	9,268,000
Current liabilities	\$ 4,091,000	4,717,000	4,980,000
Working capital	\$ 3,280,000	4,510,000	4,288,000
Investments	\$ 6,902,000	7,757,000	7,206,000
Fixed assets—gross	\$21,556,000	21,977,000	23,504,000
Accumulated depreciation	\$11,340,000	12,078,000	13,144,000
Other assets	\$ —	—	—
Long term debt	\$ 6,600,000	5,924,000	5,307,000
Minority shareholders' equity	\$ 151,000	163,000	195,000
Deferred income taxes	\$ —	—	—
Capital stock	\$ 3,000,000	3,000,000	3,000,000
Retained earnings	\$10,647,000	13,079,000	13,352,000
Equity per common share*	\$ 4.55	5.36	5.45

Statistics			
Advertising linage—newspapers	113,715,789	119,809,999	118,269,453
Advertising pages—magazines	—	—	—
Newspaper pages	86,179	90,113	88,801
Magazine pages	—	—	—
Daily newspaper circulation—December	441,338	454,636	465,781
Tons of newsprint used	41,893	44,629	45,549
Employees	2,829	2,824	2,976
Salaries and wages paid	\$11,750,000	12,602,000	13,561,000
Employee benefits	\$ 817,000	861,000	876,000
Improvements to plant	\$ 1,301,000	840,000	1,292,000
Shareholders	1,720	1,680	1,954
Common share price range*	15¾-9½	20¾-15½	24-18½

*Adjusted for the years 1958 and 1959 to reflect a four-for-one stock split in 1960.
**Equity in net earnings of 50% owned companies included in income.

1961	1962	1963	1964	1965	**1966	**1967
0,742,000	41,853,000	43,083,000	48,874,000	62,954,000	67,560,000	73,843,000
947,000	1,125,000	1,182,000	1,109,000	1,099,000	1,793,000	2,340,000
2,300,000	33,506,000	35,007,000	39,638,000	51,263,000	55,982,000	62,218,000
296,000	258,000	214,000	177,000	221,000	260,000	347,000
020,000	990,000	1,072,000	1,336,000	1,934,000	2,175,000	2,217,000
3,815,000	3,823,000	3,710,000	4,108,000	5,126,000	4,818,000	4,945,000
4,258,000	4,401,000	4,262,000	4,724,000	5,509,000	6,118,000	6,456,000
10.21	10.24	9.63	9.45	8.60	8.82	8.47
253,000	372,000	286,000		1,337,000	218,000	—
4,511,000	4,773,000	4,548,000	4,724,000	6,846,000	6,336,000	6,456,000
1.50	1.59	1.52	1.57	2.28	2.11	2.15
2,400,000	2,550,000	3,450,000	3,450,000	3,600,000	3,600,000	3,600,000
.80	.85	1.15	1.15	1.20	1.20	1.20
53.2	53.5	75.8	73.0	52.6	56.8	55.8

0,407,000	10,804,000	10,202,000	9,205,000	11,134,000	12,028,000	11,762,000
4,700,000	4,999,000	5,736,000	7,108,000	7,994,000	9,037,000	7,482,000
5,707,000	5,805,000	4,466,000	2,097,000	3,140,000	2,991,000	4,280,000
7,512,000	9,030,000	8,715,000	7,632,000	7,928,000	9,912,000	11,384,000
3,525,000	22,332,000	24,344,000	36,346,000	39,915,000	42,793,000	44,847,000
5,610,000	13,338,000	14,108,000	21,041,000	22,907,000	24,066,000	26,069,000
—	—	—	—	120,000	531,000	501,000
4,626,000	3,945,000	3,186,000	4,024,000	3,954,000	4,048,000	3,854,000
46,000	—	—	—	—	—	—
—	—	135,000	642,000	1,077,000	1,515,000	1,635,000
3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
5,462,000	16,884,000	17,096,000	17,368,000	20,165,000	23,598,000	26,454,000
6.15	6.63	6.70	6.79	7.72	8.86	9.82

7,770,937	118,576,663	117,210,399	122,527,760	130,667,379	135,391,106	137,107,275
8,628	8,900	10,353	15,116	19,252	18,991	18,875
87,469	89,117	87,684	90,989	95,987	105,439	106,662
16,767	17,930	21,062	30,338	38,070	38,602	38,410
478,454	495,184	506,253	512,670	521,233	531,194	550,403
45,882	48,798	49,853	53,104	56,572	58,122	61,756
2,794	2,781	2,813	3,649	3,777	3,903	4,042
4,081,000	14,439,000	15,023,000	17,135,000	22,864,000	24,959,000	28,256,000
848,000	975,000	1,009,000	1,091,000	1,298,000	1,293,000	1,667,000
742,000	897,000	2,314,000	2,999,000	3,398,000	3,889,000	2,268,000
2,053	2.271	2.429	2.499	2.673	2.714	2,662
34-21	34½-25	36⅜-29	34-27	40-33	42-31	51-32



Southam Press Limited

321 Bloor Street East, Toronto 5, Ontario. Telephone 416-925-2881

St. Clair Balfour
President

Daily Newspapers: The Ottawa Citizen
The North Bay Nugget, The Hamilton Spectator
The Winnipeg Tribune, The Medicine Hat News
The Edmonton Journal, The Calgary Herald
*The Vancouver Province (*Published for Pacific Press Limited)

Business Newspapers: Financial Times of Canada
Journal of Commerce Weekly

Magazines: Southam Business Publications Limited, Don Mills, Ontario

Printing: The Southam Printing Company Limited
Southam • Murray, Weston, Ontario
Southam-Autographic, Montreal
The Nicholson Printing Company, Vancouver

To The Shareholders,
Southam Press Limited.

April 6, 1967.

This year in sending you our annual report, we enclose not only the formal notice of our annual meeting but also notice of a special general meeting of shareholders which will precede the annual meeting.

The meetings will be held on Thursday, April 27 at 3:00 p.m. in the Tudor Room of the Royal York Hotel, Toronto.

The purpose of the special general meeting is to submit for your approval a new by-law of the company passed by the directors on January 24, 1967. The effect of the by-law will be to increase the size of the board from 15 to 17 directors. This change is recommended because we believe a slightly larger board can better represent the broader interests arising from the company's growth and diversification.

We most cordially invite all shareholders who may be able to do so to attend the meetings in person, to meet the directors and other shareholders present, and to share in the proceedings.

If you are unable to attend the meetings we would be grateful if you would send us your proxy. The interest and support so indicated would be most encouraging to your management. Proxies are of particular importance because the by-law to be submitted must be approved by two-thirds of the votes cast.

The annual report for 1966 reflects a year of substantial progress with stable earnings. Prospects for 1967 are generally satisfactory and the company should continue to prosper.

Faithfully yours,

President



Southam Press Limited

321 Bloor Street East, Toronto 5, Ontario

NOTICE OF ANNUAL AND SPECIAL GENERAL MEETING OF SHAREHOLDERS

April 6, 1967

NOTICE is hereby given that the ANNUAL GENERAL MEETING of the Shareholders of Southam Press Limited will be held in the Tudor Room of the Royal York Hotel, on Thursday, the twenty-seventh day of April, 1967, at three o'clock in the afternoon for receiving and considering the Report of the Directors and the Financial Statements for 1966, for electing Directors for the ensuing year, for appointing Auditors to hold office until the next Annual Meeting and authorizing the Directors to fix their remuneration and for transacting such other business as may properly come before the Meeting.

AND NOTICE IS ALSO HEREBY GIVEN that the said Meeting will also be held as a SPECIAL GENERAL MEETING OF THE SHAREHOLDERS OF SOUTHAM PRESS LIMITED especially FOR THE PURPOSE OF considering and, if deemed advisable, sanctioning, with or without modification, By-law No. 36 of the Company, being a By-law enacted by the Directors on January 24, 1967, for increasing the number of the Directors of the Company from fifteen to seventeen. The text of the By-law follows:

BE IT ENACTED AND IT IS HEREBY ENACTED as a By-law of Southam Press Limited, that the number of the Directors of the Company be and is hereby increased from fifteen to seventeen, of whom three shall constitute a quorum for the transaction of business at any Meeting of the Board and that all previous By-laws of the Company which may be in any way inconsistent with the foregoing provisions of this By-law, be and are hereby amended accordingly.

AND TAKE NOTICE that the business of the SPECIAL GENERAL MEETING of the Shareholders WILL BE DEALT WITH BEFORE the business of the ANNUAL GENERAL MEETING.

BY ORDER OF THE BOARD
B. H. SHELLEY
SECRETARY-TREASURER.

PROXY

If you cannot be present in person, will you be good enough to sign and return your proxy (located under the window of the large envelope). The form of proxy is in favour of one of PHILIP S. FISHER, Chairman, Board of Directors of the Company, and ST. CLAIR BALFOUR, President of the Company, and W. W. SOUTHAM, Vice-President of the Company. A blank is left for the name of another attorney or attorneys if you desire to name others.

